



# ARIZONA STATE RETIREMENT SYSTEM

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*Paul Matson  
Director*

## **SUMMARY OF A PUBLIC MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM EXTERNAL AFFAIRS COMMITTEE**

**HELD ON  
May 13, 2016  
10:30 a.m., Arizona Time**

The External Affairs Committee (EAC) of the Arizona State Retirement System (ASRS) met in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, AZ, 85012. Dr. Richard Jacob, Chair, called the meeting to order at 10:30 a.m., Arizona Time.

This meeting was teleconferenced to the ASRS Tucson office at 4400 East Broadway Boulevard, Suite 200, Tucson, Arizona, 85711.

### **1. Call to Order; Roll Call; Opening Remarks**

Present: Dr. Richard Jacob, Chair  
Mr. Kevin McCarthy – Via Teleconference  
Mr. Tom Manos – Via Teleconference

Absent: Mr. Lorenzo Romero

A quorum was present for the purpose of conducting business.

### **2. Approval of the Public Meeting Minutes of the April 8, 2015 EAC Meeting**

Motion: Mr. Tom Manos moved to approve the minutes of the March 8, 2016 Public EAC meeting. Mr. Kevin McCarthy seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstained, 1 excused the minutes were approved.

### **3. Presentation, Discussion and Appropriate Action Regarding Rulemaking and the 2015 and 2016 Regulatory Agendas**

Ms. Jessica Ross provided an update on the rulemaking activities listed on the 2015 and 2016 Regulatory Agendas. In addition, she provided a Rulemaking Timeline Checklist. Mr. Pat Klein explained the purpose of putting the timeline together is to provide more detailed information with regards to the process of rulemaking. It provides an idea of different steps that have to be taken for a rule administratively to get approved. Ms. Ross stated there are no services or functions of the ASRS that are being delayed or held up because of action not yet being taken in terms of rules.

#### **4. Presentation, Discussion and Appropriate Action Regarding 2016 Legislative Initiatives and Legislation affecting the ASRS**

Mr. Nick Ponder presented the ASRS 2016 legislative initiatives and other legislation that may impact the ASRS.

Mr. Ponder stated that the 2016 legislative session adjourned sine die on Saturday, May 7, 2016 at 5:45 am. Mr. Ponder addressed the bills that have had some modification as of the last Board meeting, which was held on April 29, 2016.

**HB2104: ASRS; RETENTION OF CREDITED SERVICE** - An employee who is employed with an Arizona State Retirement System (ASRS) employer in a position that was exempt from ASRS membership because the position was not included in agreements providing for the employee's coverage under the federal old-age and survivors insurance system but on whose behalf the employer has remitted ASRS contributions, will retain credited service for the period of employment for which the employer remitted ASRS contributions on the employee's behalf. Also, retroactive to July 1, 2015, at a retired ASRS member's election, the retired member may return to work as a state elected official who is subject to term limits and still be eligible to receive retirement benefits. This bill passed the Senate with an Emergency Measure.

**HB2159: ASRS; RULEMAKING EXEMPTION** - The Arizona State Retirement System (ASRS) and the ASRS Board are not subject to the Administrative Procedures Act for actuarial assumptions and calculations, investment strategy and decisions, and accounting methodology. It is retroactive to January 1, 1987. It contains a purpose statement. This bill passed the Senate

**SB1037 : ASRS; BOARD DELEGATION; BENEFIT DETERMINATIONS** - The Arizona State Retirement System Board is permitted to delegate the duty and authority to act on the Board's behalf to a Committee of the Board for the purposes of determining the rights, benefits or obligations of any person and for related administrative hearings. This bill passed the House and is ready for the Governor.

The next two bills were not on the agenda for a vote in the House. They were not Third Read prior to sine die. Mr. Ponder believes this was due to political, operational, administrative, or financial issues and had nothing to do with the bills themselves. The failure of these bills will not affect the activities of the ASRS.

**SB1038: ASRS; REINSTATEMENT; CONTRIBUTION AMOUNT** - A member of the Arizona State Retirement System who is reemployed by an ASRS employer is permitted to redeposit the amount of the contributions that the ASRS paid, instead of what the member received, at the time of the member's separation from service, with interest. This bill passed the Senate.

**SB1144: ASRS; CONTRIBUTIONS; ADJUSTMENTS** - If more than the correct amount of employer or member contributions is paid into the Arizona State Retirement System through a mistake of law, the ASRS is required to return those contributions to the employer upon request through an employer credit. If less than the correct amount of employer or member contributions is paid into ASRS by an employer, members who are inactive, retired or on long-term disability must make required payments using after-tax income and a personal check, cashier's check or money order. This bill passed the Senate.

**SB1151: ASRS; CONTINUATION** - The statutory life of the Arizona State Retirement System Board and Director is extended eight years to July 1, 2024. This bill authorizes the continuation of the ASRS for a period of 8 years beginning retroactive to July 1, 2016. This bill passed on May 7. The ASRS received a continuation of 8 years.

**HB2666: GOVERNOR'S ECONOMIC OPPORTUNITY OFFICE; CONSOLIDATION** - Creates the Governor's Economic Opportunity Office (GEOO). It creates the Arizona Finance Authority (AFA) within GEOO. The AFA would establish a non-profit corporation; the Arizona Industrial Development Authority (AIDA). A proposed amendment would require any current ASRS participants who become employed with AIDA to continue participation in the ASRS. This bill lost emergency measure, but was voted to be reconsidered. The bill passed on final reading.

**HB2617: ISRAEL; BOYCOTTS ; CONTRACTS;INVESTMENTS** - "Public entities" (defined) are prohibited from entering into a contract with a company to acquire or dispose of services, supplies, information technology or construction unless the contract includes a written certification that the company is not currently engaged in, and agrees for the duration of the contract to not engage in, a boycott of Israel. Public entities are prohibited from adopting a procurement, investment or other policy that has the effect of inducing or requiring a person or company to boycott Israel. By April 1 of each year, each "public fund" (defined as the State Treasurer or a retirement system) is required to prepare a list of "restricted companies" (defined as companies that boycott Israel) and provide a copy of the list on request. The State Treasurer and each retirement system are required to sell, redeem, divest or withdraw all direct holdings of a restricted company from the assets under their management in an orderly and fiducially responsible manner within three months after preparing the list. This bill passed the final reading and is ready for the governor.

Mr. Ponder stated the ASRS is currently working with PSPRS to discuss ways to consolidate resources for the possibility to contract out the gathering of the list. PSPRS is currently outside the procurement code, but has agreed to handle the contract for this service.

**HCR2040 : STATE MONIES; PROHIBITEDINVESTMENTS; TERRORISM** - The 2016 general election ballot is to carry the question of whether to amend the state Constitution to prohibit the state, public retirement systems, counties, municipalities and other political subdivisions from contracting with or investing in any legal entity that is invested in or doing business with the government of a country that is designated by the U.S. Department of State on or after January 1, 2015 as a state sponsor of terrorism. Any contract or investment in violation cannot be renewed and must be cancelled or divested at the earliest prudent opportunity. The bill was held in House COW on multiple occasions and did not advance to the Senate prior to the March 18, 2016 deadline. The bill is dead for this Legislative Session.

**SB1257: MISCONDUCTINVOLVING WEAPONS; PUBLIC PLACES** - A person who possesses a valid concealed weapons permit is exempt from the prohibition of carrying a concealed weapon in a public establishment or at a public event. Some exceptions, including for public establishments or events that are a "secured facility" (defined), that are the licensed premises of a liquor licensee, that are an educational institution, and a vehicle or craft. This bill returned to the senate with a minor amendment. The Senate concurred, however, the revote failed. As a result, this bill did not pass.

**HB2703: BUDGET; BRB; GOVERNMENT; FY2016-17** - Makes various policy changes in the operation of state government that impact the budget. The State Board of Investment and State Treasurer are required to take all actions necessary for the distributions to be made from the State Trust Land Fund as required by the State Constitution and State statute. If the Board or the State Treasurer fails to perform those duties, the Governor, the Speaker of the House of Representatives or the President of the Senate is authorized to file an action with the Supreme Court to obtain a writ of mandamus or other appropriate action to compel performance of the Board's or Treasurer's duties. The information that the ASRS Board and PSPRS Board must include in their annual report to the Governor and the Legislature is expanded to include an estimate of the aggregate fees paid for private equity investments, including management fees and performance fees. Retroactive to July 1, 2015, the Arizona Medical Board is authorized to expend a supplemental appropriation from FY2014-15 in FY2015-16, but is prohibited from expending those monies after June 30, 2016. It makes a supplemental appropriation of \$300,000 from the general fund in FY2015-16 to the Emergency Management Assistance Compact Revolving Fund. The ASRS will now be required to include information on aggregate private equity fees report. The ASRS has provided this information in the

past and will continue to provide it in the ASRS Comprehensive Annual Financial Report (CAFR).

**SB1534: BUDGET; BRB; GOVERNMENT; FY2016-17** – This makes various policy changes in the operation of state government that impact the budget. The information that the ASRS Board and PSPRS Board must include in their annual report to the Governor and the Legislature is expanded to include an estimate of the aggregate fees paid for private equity investments, including management fees and performance fees. Retroactive to July 1, 2015, the Arizona Medical Board is authorized to expend a supplemental appropriation from FY2014-15 in FY2015-16, but is prohibited from expending those monies after June 30, 2016. It makes a supplemental appropriation of \$300,000 from the general fund in FY2015-16 to the Emergency Management Assistance Compact Revolving Fund. This bill passed.

After providing the Legislative update, Mr. Ponder stated he has been working closely with Mr. Matson and the Governor's Office to determine the Board make up. Mr. McCarthy and Mr. Connolly were re-nominated to the Board and need to be confirmed or re-nominated again. Paperwork was submitted for a few of the individuals that need to be confirmed. Mr. Ponder will follow up with the Governor's Office for an update on the status of the Board appointments.

## **5. Call to the Public**

No requests to speak from the members of the public.

## **6. Adjournment of the ASRS External Affairs Committee Meeting.**

Motion: Mr. Tom Manos moved to adjourn the May 13, 2016 EAC meeting. Mr. Kevin McCarthy seconded the motion

By a vote of 3 in favor, 0 opposed, 0 abstained, 1 excused the meeting was adjourned.

Dr. Jacob adjourned the public meeting at 11:02 a.m.

Respectfully Submitted by,

*Signed Copy on File*

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Alicia Guzman  
Committee Administrator

*Signed Copy on File*

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Pat Klein  
Assistant Director, External Affairs Division